Introduction

The term 'governance' has been derived from the word '*gubernare'*, which means "to rule or steer". Originally this term meant to be a normative framework for exercise of power and acceptance of accountability used in the running of kingdoms, regions and towns. However, over the years it has found significant relevance in the corporate world. This is basically due to growing number and size of the corporations, the widening base of the shareholders, increasing linkages with the physical environment, and overall impact on the society's wellbeing as we need a proper administrative system to regulate so many complex things.

In the post Christ period, with improved navigation and availability of vessels, the traders from Europe, especially the Portuguese and the Dutch explored the known expanse of the earth and gave rise to global trading entities. These entities reported to the kings. This was the beginning of corporate governance. As we approach the 16th century, the most powerful trading nation, England, formed a variety of regulations and regulatory authorities such as joint stock companies and Bank of England to govern all trading activities on a platform of accountability, efficiency, effectiveness and stakeholder's satisfaction. The concept of corporate governance was the basic platform for these regulations and regulatory authorities and over a period of time the concept and its practice took a firm root for all activities.

The massive collapse and enormous failures of companies such as: "Enron"; "WorldCom"; "Parmalat" and "Tyco" has resulted in corporate governance gaining far more attention from a range of parties who are concerned about business. In recent years there has been a remarkable worldwide effort to issue and develop corporate governance principles and standards in order to ensure that good corporate governance codes are in place for companies, to improve their practice of corporate governance and protect companies' stakeholders from potential crises that poor corporate governance could cause. This effort has been accorded regardless of the nature and the size of the capital market or the legal system of these countries. Furthermore, some codes have been issued for specific continents or regions in the world or by specialist organizations such as the Organisation for Economic Co-operation and Development (OECD).

The concept of corporate governance, which emerged as a response to corporate failures and widespread dissatisfaction with the way many corporate function, has become one of the wide and deep discussions across the globe. It primarily hinges on complete transparency, integrity and accountability of the management. There is also an increasingly greater focus on investor protection and public interest. Corporate governance is concerned with the values, vision and visibility. It is about the value orientation of the organization, ethical norms for its performance, the direction of development and social accomplishment of the organization and the visibility of its performance and practices.

Justification of Research Project:

"Disclosure is widely regarded as a necessary condition for market discipline in a modern financial sector. Disclosure is "the communication of economic information, whether financial or nonfinancial, quantitative or qualitative relating to an enterprise's financial position and performance" (Owusu-Ansah, 1998, p. 608). There are many avenues in addition to the annual report that can be used by entities to disclose financial information (e.g. prospectus, interim report, press coverage, journals, newspapers, government publications, interviews with officials, seminars), but the annual report is the only document produced regularly to comply with mandatory requirements and –more importantly- is central to the

organization's construction of its own external Image (Gray et aI., 1995). Thus, annual reports are perceived as a very important medium for communication of corporate information (Lee and Tweedie. 1975). This study considers the financial information disclosed in Indian banks' annual reports.

Annual reports consist of an extensive range of qualitative and quantitative information items that can assist a variety of user groups in making their economic decisions. Notwithstanding accountability and stewardship notions, one of the main purposes of disclosures in annual reports is to help the users of accounting information make predictions about future performance that in turn helps them to make their economic and financial decisions. An annual report is considered sufficient and meaningful if all relevant information has been reported and disclosed.

The importance of financial sectors for macro-economic fast development has been argued for and supported in the literature for many years. For example, a study by King and Levine (1992) from across 119 developed and developing countries over the 1960- 1989 period provides strong evidence that economic growth is critically dependent on financial sector size, private bank functioning, credit provision to private enterprises and interest rates. The authors state that the larger the financial sector in the context of the overall economy, the greater the share of lending by depository rather than central banks, and the greater the share of credit to the private rather than public sector, the greater is the rate of economic growth.

Moreover, the banking industry also plays a key role in maintaining confidence in the financial system of a nation. Thus, there is extensive and widespread interest in the well-being of banks, with user groups needing relevant, reliable, understandable, material and comparable information that assists them in evaluating the financial position and performance of the banks for making decisions.

Proposed Structure of Chapterization:
The thesis will be divided into 8 chapters. The proposed structure of the thesis:

1. Introduction to Corporate Governance
2. Corporate Governance in Banking Sector
3. Corporate Reporting System and Regulatory Environment
4. Review of Literature
5. Research Methodology
6. Data Analysis
7. Findings & Conclusions
8. Suggestions

Introduction to Corporate Governance

This chapter will be giving an overview of the corporate governance. This chapter will be including the origin and evolution of corporate governance and corporate governance scenario in global and Indian context. The chapter will try to conceptualize the meaning of corporate governance. The chapter will also present briefly the three pillars of corporate governance and the importance. The chapter ends with a short summary.

Introduction:
The interest in corporate governance is primarily due to two factors: curious happenings in the corporate world and globally mobile capital flows which are highlighting differences in

corporate governance systems, in different parts of the world. Sound corporate governance practices and the need for greater transparency in the global financial markets are vital to national economic welfare and essential to maintain a stable global economic environment.

Corporate governance basically denotes rule of law, transparency, accountability and protection of public interest in the management of a company's affairs in the prevailing global, competitive and digital environment. It calls for an enlightened investing community and strict regulatory regimes to protect the rights of the investors and companies to improve productivity and profitability without recourse to any means which will offend the moral, ethical and regulatory framework.

Corporate Governance World Scenario:

The seeds of modern corporate governance were probably sown by the Watergate scandal in the United States. As a result of subsequent investigations, U.S. regulatory and legislative bodies were able to highlight control failure that had allowed several major corporations to make illegal political contributions. This lead to the development of the Foreign and Corrupt Practices Act, 1977 in USA. In May 1991, The London Stock Exchange set up a committee under the Chairmanship of Sir Arian Cadbury in an attempt to prevent the recurrence of such business.

There has been no shortage of other crises, such as the secondary banking crisis of the 1970s in the UK and US savings and loan debacle of 1980s. In addition to crises the history of corporate governance also has been punctuated by a series of well-known corporation failures: the Maxwell Group raid on pension fund of the Mirror Group newspapers, the collapse of Bank of Credit and Commerce International and Barings Bank.

Corporate governance systems have evolved over countries, often in response to corporate failures or systemic crises. The first well-documented failure of governance was the South Sea bubble in the 1970s, which revolutionized business law and practices in England. Similarly, much of the securities laws in the US were put in place following the stock market crash of 1929.

Corporate Governance in Indian Context:

In ancient India, the ruling emperors decided the concept and practice of governance. The treatise on economic administration, Arthashastra, written roughly 315 years before Christ developed on complete structure of governance in a kingdom with clear demarcation of authority, responsibility and accountability. Corporate disclosure in India is at the centre stage of reforms. Individual and institutional investors desire a comparable set of financial statements to understand the key financial parameters of the companies in which they are investors or in which they plan to invest. In India corporate governance has assumed importance mainly in the wake of economic liberalization, and deregulation of industry and business. An unbridled pursuit of profit paves the way for unmitigated disaster. Hence, as a guiding principle, it has been prescribed in the Upanishads to 'enjoy with restraint and renunciation'. While planning for tomorrow and grooming the future trade leaders, spiritualism and values need to be inculcated in them. The manipulations and financial fraud done by Ramalingam Raju, proved disastrous for the software giant Satyam, the investors, employees, stakeholders and above all the goodwill of the nation.

Definition of Corporate Governance:

- Cadbury Committee (1992) defined corporate governance as the system by which companies are directed and controlled. It is a simple and concise definition that goes to the heart of the matter. It talks about a system (not individual parts), direction (by the board) and control (by shareholders) of businesses.
- Cadbury (2002) defined "Corporate governance as being concerned with holding the balance between economic and social goals and between individual and communal goals. The corporate governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals' corporations and society".
- OECD Code on Corporate Governance (1999), it is a set of relationships between company's management, its board, its shareholders and other stakeholders. Through these relationships it provides a structure for setting the objectives of the company, the means for attaining them and monitoring performance. Good corporate governance should provide incentives to the board and management to pursue objectives which are in the interests of the company and shareholders and it should also facilitate effective monitoring.

Corporate Governance in Banking Sector

Chapter 2 describes corporate governance in banking sector. This chapter discusses the origin and history of banking in India, overview of banking industry. The chapter presents the importance of corporate governance in banking sector along with the importance of disclosure and transparency in banking sector. The chapter also will be including the difference in corporate governance practice in firm and bank.

Introduction:

Stability and sustained growth of an economy is closely linked to stability of the financial sector (especially the banking system) and any shock to the latter is capable of creating serious instability in the former. The financial sector suffers from particular information asymmetries (e.g. between bank managers and bank depositors, between risk taking managers and the bank's board, between managers and shareholders, and between banks and regulators), which may be accentuated by insufficient transparency and disclosure.

Nowhere is proper corporate governance more crucial than for banks and financial institutions. Given the pivotal role that banks play in the financial and economic system of a developing country, bank failure owing to unethical or incompetent management action pose a threat not just to the shareholders but to the depositing public and the economy at large, Tow main features set banks apart from other business – the level of opaqueness in their functioning and the relatively greater role of government and regulatory agencies in their activities.

The liberalization reforms initiated by the Indian Government during last decade have considerable impact on the Indian financial sector. Prior to 1991, Indian banking sector was under the control of Indian Government with exception of 22 private sector banks and few foreign banks (source: RBI). Since 1991, the Indian financial system moving from a unilateral administered sector to market driven system. After the economic crisis, there have been a number of initiatives to implement governance and disclosures practices in the Indian

banking sector. In the recent past, overall corporate governance in Indian banks has improved steadily.

Good corporate governance regulates the relationships between banks shareholders and depositors, and bank boards and management, prevents abuses of power and self-serving conduct, as well as imprudent and high risk behavior of bank managers, and resolves conflicts between private interests and official duties.

From banking industry perspectives, corporate governance involves the manner in which the business and affairs of individual institutions are governed by the supervisory boards and senior managements, affecting how banks:

- Set corporate objectives to generate sustainable banking returns to owners;
- Run the day-to-day operations of the business;
- Consider the interests of recognized stakeholders;
- Align corporate activities and behaviors with the expectation that banks will operate in a sound manner and in compliance with applicable laws and regulations; and
- Protect the interests of depositors and other stakeholders.

Corporate Reporting System and Regulatory Environment

Chapter 3 will be divided into two parts. Part I: In part one the corporate reporting system will be discussed with reference to qualities of accounting information. This chapter also mentions the channels of reporting specifically annual report. Part II: This part describes the brief history of regulatory framework pertaining to corporate governance. This part will be providing the regulatory environment in India in context to Banking Industry. This part discusses the regulation pertaining to the Indian banking sector (Companies Act, 1956, Banking Regulation Act, 1949, Securities and Exchange Board of India, etc).

Corporate Reporting System:

Accounting – as an information system – identifies, measures, and communicates economic information on an accounting entity, say a corporate, to a wide variety of users whose decisions are based, at least partly, on the information thus made available.

Supply of information by the corporate entities, on their affairs and performance, to the external users is variously termed as 'corporate reporting', (corporate) disclosure, (external) information reporting, external reporting or 'public reporting'. Chandra (1974) has defined disclosure as the process through which an entity communicates with the outside world. Conceptually, therefore, corporate reporting refers to the transfer of information from the private domain (of management) to the public domain. The information transferred to the external users may be quantitative or qualitative, and may include disclosures on the history, achievements, problems, future plans, developments, etc. Managers enjoy ready access to all kinds of business-related information, information available to providers of resources (termed 'stakeholder') is neither abundant nor easily available. In this perspective, disclosure of facts and figures on the performance of a company vis-à-vis its objectives, to the external users assumes critical importance. The primary objective of corporate disclosure, therefore, is to provide public accountability.

In India, Sachar Committee (1978) has stipulated" 'A company should provide the basic economic services to the society at the lowest possible price, which would mean objectives of

higher productivity, lower cost and better quality and provide adequate return to its shareholders. While recognizing the above concept, the objective should not merely be of making of profit but the corporate activity must also subserve the overall aspirations and interest of the society'.

Qualities of Accounting Information:
Whether related to corporate or financial or social performance, information supplied by the companies through the accounting reports should possess some qualities/attributes. If present, these properties make information supplied through the reports more useful to the decision-makers. The said qualities, besides, also provide guidance in the selection, evaluation, and disclosure of informational items.

In the literature qualities of accounting data have been discussed for a long time. Professional accountancy bodies all over the world have issued pronouncements on this matter from time to time. Lately, these attempts have included enlisting of the desirable properties for social performance related disclosures as well. A review of literature has indicated that qualities advocated for the social performance disclosures are quite similar to those advocated for the financial performance disclosures.

Channel: Annual Report:
Accountability is the raison d'etre for external information reporting by companies. For reporting to the external publics, a company can choose from various channels or mediums. Some of the commonly used mediums are arranged visits to plants, print media - 'published reports', 'press releases' (regular news, inspired newspaper editorials, advertising, advertorials, and special supplements), 'house magazines', 'periodicals', "booklets', 'brochures', 'leaflets', 'posters'; audio-visual media - 'press conferences', 'radio', 'exhibitions', slides, 'television', and 'films'; and digital media - 'floppies', 'CDs', 'DVDs', 'corporate websites', and 'public websites'.

Annual reports consist of an extensive range of qualitative and quantitative information items that can assist a variety of user groups in making their economic decisions. One of the main purposes of disclosure in annual reports is to help the users of accounting information make predictions about future performance that in turn help them to make their economic and financial decisions. An annual report is considered sufficient and meaningful if all relevant information has been reported and disclosed. It is generally accepted that annual reports are prepared mainly for external groups and that such documents should be designed, in shape and content, in line with the needs and requirement of external users (Pijper, 1993).

Some of the reasons that have contributed to making annual reports the most sought after medium of communication are as follows:

1. An annual report provides an instrument of control. It is through the annual report that the management of an enterprise gives an account of itself to the participants. The report highlights achievements during the year and explains non-achievements. Future plans and programs also form an integral part of a good annual report.
2. An important section of annual reports is the financial statements (including schedules and notes to accounts). Since financial statements are subjected to an independent/statutory audit (third-party assurance or attestation), only audited (and, hence, more reliable) information is conveyed through them. In general, external users place more confidence in the audited information disclosed through the annual reports.

3. Annual report is a comprehensive and widely distributed source of business data.
4. Annual report is relatively more accessible and longer lasting than various other sources.
5. Annual report generally contains a variety of non-statutory information in a single document.

To sum up, importance of an annual report as a highly valuable and effective medium of information disclosure is, arguably, unparalleled. But, with the increased accountabilities of businesses, continuing relevance of the medium would require that a contemporary report should include disclosures on even those aspects of business performance that have still not been mandated under the statute law(s). This only would ensure an objective and comprehensive scrutiny of the corporate performance on a regular basis. It is pertinent to note here that the primary responsibility for the contents and coverage of the CARs lies with the board of directors. That is, quantity and quality of disclosures in an annual report reflect the managerial viewpoints and decisions on various aspects of the business activities. On the importance of annual reports and responsibility of directors for the contents included therein, the Financial Reporting Council (FRC), the UK, has stated '... prime responsibility for published accounts lay with the directors. The directors' should aim at providing a clear, informative and unambiguous set of accounts which supply a basis for narrative within the annual report which *adequately highlights all matters of significance, good or had, affecting a company's performance and position.*

Regulatory Environment:

The legal system of a country plays a crucial role in creating an effective corporate governance mechanism in a country and protecting the rights of investors and creditors. The legal environment encompasses two important aspects – the protection offered in the laws (*de jure* protection) and to what extent the laws are enforced in real life (*de facto* protection). Both these aspects play important roles in determining the nature of corporate governance in the country. Globalization of the market place has ushered in an era wherein the quality of corporate governance has become a crucial determinant of survival of corporate. The compatibility of corporate governance practices with global standards has also become an important constituent of corporate success. The practice of good corporate governance has, therefore, become a necessary pre-requisite for any corporation to manage effectively in the globalized market.

The financial reporting and disclosure of banking companies in India are regulated by the Companies Act 1956, the Banking Regulation Act 1949, the rules of the Securities and Exchange Board of India (hereafter SEBI), and the guidelines of the Reserve Bank of India (hereafter RBI), as well as the recommendations of the Institute of Chartered Accountants of India (ICAI). The Banking Regulation Act 1949 provides a framework for regulation and supervision of commercial banking activity. Section 29(1) of the Banking Regulation Act 1949 states that at the expiration of each calendar year, every banking company shall prepare a balance sheet and profit and loss account, in the forms set out in the Third Schedule Form A and Form B of the Act respectively. Section 30(1) states that the balance sheet and profit and loss account should be prepared in accordance with Section 29 and audited by a person duly qualified under law. Section 31(1) also states that the accounts and balance sheet, together with the auditor's report, shall be published in the prescribed manner and three copies thereof shall be furnished as returns to the RBI within three months from the end of the period.

Section 32 requires that three copies of the accounts and balance sheet, together with the auditor's report, should be sent to the Registrar of Company Affairs.

The SEBI monitors and regulates corporate governance of listed companies in India through Clause 49. This clause is incorporated in the listing agreement of stock exchanges with companies and it is compulsory for them to comply with its provisions [4]. Under Clause 49, there is a requirement for a separate section on Corporate Governance in the Annual Reports of companies, and for a detailed compliance report on Corporate Governance. This report contains nine sections dealing with the board of directors, audit committee, remuneration of directors, shareholders' grievance committee, general body meeting (board procedure), disclosure of related parties, means of communication, general shareholders' information, others including risk management, management discussion and analysis, information and compliance respectively. It is also noted that the company must obtain a certificate from either the auditors or practising company secretaries regarding compliance of conditions of corporate governance as stipulated in this clause, and annex the certificate with the directors' report, which is sent annually to all the shareholders of the company. The same certificate must also be sent to the Stock Exchanges along with the annual report filed by the company.

The RBI is committed to enhancing and improving the levels of transparency and disclosure in banks' annual accounts. In addition to its traditional central banking functions, the RBI has certain non-monetary functions regarding the nature of banks' supervision, and the promotion of sound banking in India. There are two professional bodies working in India, these being, the Institute of Chartered Accountants of India (ICAI), and the Institute of Cost and Works Accountants of India (ICWAI). Accounting practices in India conform with the Accounting Standards set by the ICAI, and to date, 28 standards have been adopted in India. According to ICAI, India is materially in conformity with the International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA). The ICWAI is the only recognized statutory professional organization and licensing body in India specializing exclusively in Cost and Management Accountancy.

Review of Literature

The crux of the whole study is justified in this chapter – "Review of Literature". In the past, both in India and overseas, a large number of studies have investigated the theme of quality of corporate reporting through the annual reports. The studies have examined various aspects of corporate reporting by using varied analytical framework. The primary objective of this chapter is to provide an overview of the findings of some of these past works. In the chapter, review of prior literature is done in two sections. While the first section reviews the studies conducted outside India, the second section discusses the past works of India. The chapter comes to an end with a discussion on the implications of the past studies for the key concept of issues proposed in this work.

There has been extensive research in the advanced, and developing countries to measure the corporate disclosure in financial and non-financial companies. (See for example, Cerf, 1961, Singhvi, 1967; Singhvi and Desai, 1971; Shankar, 1972; Buzby, 1974; Narain, 1975; Barrett, 1976; Firth, 1979 a; Seshan and Gujrathi, 1980; McNally, Eng and Hasseldine, 1982; Lal, 1985; Khalid Alsaeed, 1986; Marston, 1986; Chee W., Chow and Adrian Wong-Boren, 1987; Wallace, 1988; Cooke, 1989b; Forker, 1992; Wallace, Naser and Mora, 1994; Bernard Raffournier, 1995; Giacomo Boesso and Kamlesh Kumar, 1998; Owusu – Ansah, S., 1998; Ahmed and Courtis, 1999; Celine Michailesco, 1999; Wayne, K. Hoy and Megan Tschannen

– Moran, 1999; Hossain, 2001; Chipalkatti, 2002; Cheung, Connelly, Limpaphayom and Zhou, 2002; Nier and Baumann, 2003; Khanna, Palepu and Srinivasan, 2004; Ahmed, 2005; Collett and Hrasky , 2005; Madan Bhasin and Adliya Manama, 2008; Apostolos K. Apostolou and Konstantinos A. Nanopoulos, 2009; Md. Abdur Rouf, 2010; Dr. Umoren Adebimpe & Okougbo Peace, 2011). However, the study of Hossain (2001) empirically investigated the extent of disclosure of 25 banks in Bangladesh and associations between company size, profitability, and audit firm with the disclosure level. A total of 61 items of information, both voluntary and mandatory, were included in the disclosure index, and the approach to scoring items was dichotomous. The results showed that size and profitability of the banks are statistically significant in determining their disclosure levels. However, the audit firm variable was not significant at conventional levels in the model.

Chipalkatti (2002) examined the association between the nature and quality of annual report disclosures made by 17 Indian banks and market microstructure variables. He constructed a Bank Transparency Score (BTS) consisting of 90 items of information considering the recommendations of the Basel committee and IAS 30. The study showed no significant association between the level of disclosure and percentage of shares held by the government, and the percentage of shares held by foreign shareholders respectively. The results also indicated that larger banks provide more transparent disclosure and there was no significant difference in the disclosure scores of banks across profitability levels, but banks with lower levels of leverage did have significantly higher disclosure scores. Nier and Baumann (2003) addressed the issues of developing a set of disclosure requirements by Pillar 3 of Basel II that improved market participants' ability to assess a bank's value using a unique dataset on almost 600 banks in 31 countries over the period 1993-2000. The dataset contains detailed information about the items disclosed by banks in their annual accounts. They constructed a composite disclosure index that informs about disclosure at the bank level, and they then analyzed each of 17 sub-indices of disclosure that make up the composite index in order to investigate which, if any, items of the banks' balance sheet disclosure are most beneficial from the point of view of the bank and most useful for financial markets. Their findings generally confirm the hypotheses that disclosure decreases stock volatility, increases market values, and increases the usefulness of company accounts in predicting valuations.

In contemporary literature on businesses, there is a general agreement that corporate accountability through transparency in a good governance system always looks beyond the requirements of the law. Accordingly the present chapter has reviewed findings of some of the past works in India and overseas on aspects of both mandatory and voluntary reporting. In the review, findings of two types of studies are discussed. These are, first, works searching for the consensus between the targeted groups - such as the preparers, users and suppliers of annual reports - on the usefulness of information disclosed through the reports, and second works that describe, model, and explain the nature and extent of corporate reporting through annual reports.

While using a disclosure index for measuring the extent of corporate reporting, past research works have not always been careful in observing a clear distinction between the disclosures that are mandatory under the statue law vis-a-vis the voluntary disclosure, (see, for instance, Cooke, 1992). While conducting research the past researches have covered only single year (see, for instance, Mohammed Hossain, 2008) and in order to understand the nature of variations of overall disclosure, it is necessary to undertake a study taking five or ten years data. It is common knowledge that opportunities, incentives, and consequences associated with cither type of disclosures are quite different. Thus, in an effective governance system,

whereas full compliance to the law is always expected, the deviant behavior (non-disclosure) calls for an investigation.

The disclosure indexes used in the past studies are not comprehensive. It did not include items like statement of accounting policies, statistical information for the past periods, strengths and weaknesses of the company during past year, etc. (see, for instance, Shankar (1972), Marston (1986), Singhvi and Desai (1971)). The major researches of the past have considered association between size, leverage and disclosure practices considering size as net assets, total sales, market capitalization but the past researches have not considered the association between age and disclosure index taking size as age of companies. On the contrary, for the voluntary disclosure, factors that motivate supply of additional information are the ones which need to be identified and explained.

The trust factor (benevolence, reliability, competence, honesty and openness) with reference to corporate governance practices has not been examined by past studies especially in Indian Banking Sector. There are very few studies done on both mandatory and voluntary disclosure of information in the annual reports. On the contrary, there are very few studies done on banking sector of India. There was no study found done in the area of problems faced by the users while using the banks annual reports which is a gap which need to be examined.

Research Methodology

This chapter will be explaining the research methodology that is used to achieve the research objectives. The chapter describes the related issues pertaining to research methodology and methods, including problem statement, research questions, research objectives, discussion of the hypotheses underpinning the study, the research instruments used to collect the data, and the construction of the disclosure indices. This chapter also focuses on the research methods for the data gathering method, disclosure checklist, scoring technique, and validity test. The chapter includes the study population for the survey research, sampling technique, data gathering method, description of the questionnaire, validity and reliability tests, and actual field work. The data analyses methods are enumerated and the instrument for data analysis is highlighted in this chapter.

Problem Statement:
"Corporate Governance Practices – A Study of Indian Banking Sector"

Research Questions:
The thesis examines Corporate Governance Practices in Indian Banking Sector. In order to achieve this aim, the research addresses the following questions:

1. What is the present scenario pertaining to Corporate Governance in Indian Banking Sector?
2. What is the extent of mandatory and voluntary disclosure practices of listed banks in India?
3. What is the association between company-specific attributes (age, profitability, complexity of business, board composition and market discipline) and total disclosures?
4. What is the difference in disclosure practices of public sector banks and private sector banks?
5. What is the disclosure practice over last 5 years?
6. What is the view of experts about disclosures practices by banks in annual reports?

7. How important is annual reports for the different stakeholders?
8. What problems do the users face while using banks annual reports?
9. What are the factors which restricts the disclosure in annual reports?
10. For what purpose do external users use the annual reports of banks?
11. What is the influence of various parties on disclosure practices of banks?
12. What is the level of trust do the users have in banks' annual reports?

And the above questions will lead to the answer to the research question:

13. Are banks' annual reports transparent and trustworthy in terms of disclosure?

Research Objectives:

Primary Objective:

- To study the present scenario pertaining to Corporate Governance in Indian Banking Sector
- To study the extent of mandatory and voluntary disclosure practices by listed banks in India.

Secondary Objectives:

1. To examine the association between company-specific attributes (age, profitability, complexity of business, board composition and market discipline) and total disclosure.
2. To compare the disclosure practices between public sector and private sector banks.
3. To study the disclosure practice over 5 years period.
4. To evaluate and examine the views of financial analysts about the disclosures practices of banks in annual reports.
5. To examine the importance of annual reports for the different stakeholders.
6. To study the problems faced by users while using banks annual reports.
7. To assess the factors that restricts the disclosure in annual reports.
8. To study the purpose for using banks' annual reports by the external users.
9. To investigate the degree of trust the users have in the disclosure made in the annual report.
10. To evaluate the influence of different parties on disclosures in banks annual reports.

Significance of the Study:

A broad consensus exists concerning the active role played by the financial sector in promoting economic development in particular the importance of efficient running of the banking system (Galbis, 1977), and in this context the study makes several contributions. By investigating the views of financial analysts regarding the content and usefulness of Indian banks' annual reports, this study will be of potential importance to regulators and preparers of the documents and may assist in the improvement of communication between the bankers and the reports' users. More generally, this study will also provide rich description of the present status of financial disclosure in Indian banking sector. The importance of empirically testing the impact of firm-specific characteristics on the extent of financial disclosure may suggest areas where efforts to improve disclosure regulation in India should be concentrated. Users and regulators alike may benefit from the identification of any systematic differences between banks in their level of disclosure. The study will also offer local and foreign investor an objective assessment of the current reporting practices in Indian banks; such information is clearly of importance to all investors who want to make financial decisions before investing in such an institution. However, the international financial institutions like the IMF, and World Bank, have also given importance to the transparency and disclosure of financial companies. Similarly, other organizations like the US FSAB, the US Federal Reserve System,

and the Standard and Poor have also published guidelines regarding disclosing voluntary item.

Research Design:
The present study is a two stage research design consisting of primary as well as secondary data. The primary data is collected from experts' in the banking sector (147 samples). The questionnaire covers comprehensive variables regarding disclosure practices and the financial experts views were obtained and based on that secondary data was found to be useful in order to assess the disclosure quality in annual reports of bank and as a result, disclosure index was prepared to examine the extent of disclosure in annul reports of bank.

Variables under the study:

- Age
- Size
- Profitability
- Complexity of Business
- Assets-in-place
- Board Composition
- Market Discipline
- Benevolence
- Reliability
- Competence
- Honesty
- Openness
- Understandability
- Materiality
- Relevance
- Confidence
- Comparability
- Credibility
- Adequacy

Hypotheses:
One of the main objectives of this study is to examine the extent of disclosure of information in Indian bank's annual reports. In order to achieve this objective and based on the variable considered for the study the following are the few hypotheses which will be assessed.

- H1: Long established banks may disclose more information than newly-established banks
- H2: Banks with different values of total assets disclose varying amounts of financial information
- H3: Banks with higher profit disclose financial information to a greater extent than do those banks with lower or negative profit.
- H4: Banks with subsidiaries may disclose more than the banks without subsidiaries.
- H5: There is a negative association between the proportion of assets-in-place and the extent of disclosure of information.
- H6: There is a positive association between the proportion of non-executive directors on the board and the extent of disclosure of information.

- H7: Banks with lower NPA will disclose more information and be more compliant than banks with higher NPA.

Sampling:
The current study involves an empirical investigation of the degree of mandatory and voluntary disclosures made by Indian banks across five years period 2006 – 2011. To achieve the aims of this study first through primary data by preparing questionnaire the experts' views (50 financial analysts) were collected regarding the importance of disclosure practices by banks in their annual reports. Based on their views it was determined that in order to assess the disclosure quality in annual reports of bank there is a need to prepare a disclosure index. As a result, a disclosure index was prepared based on prior literature. The disclosure index includes both mandatory and voluntary items; of which 101 items pertain to mandatory disclosure and 119 items pertain to voluntary disclosure. So the disclosure index totally includes 220 items and that is examined over a period of five year for 21 banks. The sample includes all the banks which are listed on BSE 'A' group are considered for the study. These 21 banks include both the public and private sector banks.

Data Plan:
Tools for data collection:
Data can be obtained from secondary and primary sources.

Secondary Data:
Secondary data refers to information gathered from sources already existing (Sekaran U., 2006). There are many avenues in addition to the annual report that can be used by entities to disclose financial information (e.g., prospectus, interim report, press coverage, journals, newspapers, government publications, interviews with officials, seminars), but the annual report is the only document produced regularly to comply with mandatory requirements and – more importantly – is central to the organization's construction of its own external image (Gray, 1995). Thus annual reports are perceived as a very important medium for communication of corporate information (lee and Tweedie, 1975). In order to enrich the study, the data is collected through secondary means through published annual reports of the banks. The data regarding the basic profile of the banks were obtained from the Capital Line. The researcher has surfed data from various websites and mentioned in Bibliography. The researcher has referred to multiple cases globally and literature to find out the gaps and then fulfill them to contribute towards the study.

Disclosure Index:
For the analysis of the disclosure made in the annual reports a comprehensive 'Disclosure Index' was prepared. A disclosure index is an extensive list of selected items that might be expected to be disclosed in a company's annual report (Marston and Shrives, 1991). There is no agreed theory on the number and the selection of the items in the checklist (Wallace, 1994). The disclosure index prepared for the present study includes both mandatory items as well as voluntary items of information.

There are two main types of index employed in previous studies, namely weighted indices and unweighted indices. In the former case, non-disclosed items are scored Zero (0), while disclosed items carry different scores, based on their perceived importance. Weights are often derived from the importance of the information items indicated by users in a questionnaire (Marston and Shrives, 1991). However, assigning weights introduces degree of subjectivity

(Firth, 1979) because the level of usefulness assigned to each item of information is not definitive; rather it varies depending on the country, the user, the industry and the time of the study (Hassan and Marston, 2008). Given this limitation of the weighted index approach, many researchers have conducted their examination using an unweighted index. The unweighted disclosure index methodology is used. In this case, the key fact is whether or not a company discloses an item of information in the annual report. If a banking company discloses an item of information in its annual reports, then '1' will be awarded and if the item is not disclosed, then '0' will be rewarded. Thus, the unweighted disclosure method measures the total disclosure (TD) score of banking company as additive (suggested by Cooke, 1992).

Primary Data:

Primary data refers to information obtained firsthand by the researcher on the variables of interest for the specific purpose of the study. Sekaran (1992) defined the questionnaire as a "formulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives".

The primary data is collected through structured questionnaire to obtain relevant information. The financial analysts are chosen because they are the "Sophisticated Investors". A questionnaire survey is used to examine the opinions of financial analysts in order to evaluate and investigate the disclosure practices and the usefulness of the bank's annual reports.

Moreover, response rates for self-administrated questionnaire tend to be relatively high (Hussy and Hussey, 1997). Therefore, a self administrated questionnaire was selected for the research. The researcher then designed a series of closed questions again reflecting the thesis aims and the extant literature. The vast majority of the questions took the form of statements, with respondents were asked to indicate their views using a five-point likert scale. A number of the survey questions employed in this study were based on those used in earlier related studies, but with some modifications to ensure validity in an Indian environment. Every effort was made to ensure that the questionnaire covered all the areas relevant to research examining disclosure practices.

Data Analysis

The chapter deals with the statistical analysis of the data collected to study the extent of disclosure in banks' annual report. The data analysis chapter is divided into three parts. All the three parts describes and discuss the empirical findings. Part one documents the analysis and results of the secondary data i.e., disclosure index. This part measures the level of disclosure in Indian Banks' annual report. Part two investigates the descriptive analysis of the primary data i.e., questionnaire survey. Part three deals with the confirmatory test. This part examines the relationship between firm-specific characteristics and the extent of disclosure.

A step ahead after the collection of necessary data from the representative sample is to analyze and test the research hypotheses. The descriptive analysis covers the preliminary stages of data preparation and making the data ready for analysis. There by stating the steps of statistical analysis which sketches out the details of the tools applied to derive the outcome. The researchers will insert tables and charts and visuals to give a detailed insight and make the whole calculation clear and explanatory.

More specifically, this chapter provides descriptive information and statistical tests regarding the financial disclosure practices of Indian banks over the period 2006-2011. This includes examination of the level of compliance with mandatory disclosure requirements and measuring the extent of overall (mandatory and voluntary) disclosure. The analysis proceeds to investigate the relationship between certain factors (bank size, age of bank, profitability, etc) and overall financial disclosure levels.

Data obtained through questionnaire will be edited, and the raw data will be manually entered into the computer. Before accepting the data for analysis, the researcher will converted the raw data into a usable form and then will be applying the suitable statistical tests. The data which is collected through annual reports are classified into various sub heads of the disclosure index and will be analyzed by using SPSS software. The researcher will be using appropriate statistical technique to reach to an overall score of measuring the extent disclosure in the bank's annual report. The relationship between company attributes and total disclosure will be assessed and inference will be drawn.

Findings and Conclusions

The chapter deals with presentation and discuss of the empirical findings which is also divided into three parts. The part one deals with findings of secondary data analysis. Part two deals with the findings of the descriptive data analysis and part three deals with the findings of the confirmatory test. This chapter also presents and summarizes the key findings and provides the conclusions.

Suggestions

This chapter presents suggestions. Based on the findings and conclusions, the researcher will sketch out suggestions to make good corporate governance practices more effective in banks. The framework of this chapter will be divided into two broad categories, where suggestions will be made at the macro level and at the micro level to the interested parties. The suggestion at the macro level will be made which will be of interest to the regulatory authority, government and public at large. The suggestion will be help the authorities to incorporate new ways to make corporate governance system more effective in banking sector which is the main pillar of economic system.

The suggestion at the micro level will be made which will be of interest to the board of directors, managers of the banks, and preparers of annual reports. The suggestion will help the banks to improve their corporate governance mechanism and improve their operation and transparency so that trust can be built which will help the bank's to gather low cost funds and further help in the economic uplift of the economy as a whole.

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